

Message Text

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ACTION EB-07

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E.O. 11652: N/A

TAGS: ETRD, EIND, EMIN, CH, US

SUBJECT: MINMETALS OFFICIAL SAYS ABSENCE OF US SCRAP
ADVERSELY AFFECTED STEEL PRODUCTION

REF: STATE 284372 AND PREVIOUS

1. USLO OFFICERS CALLED ON CHAO HUNG-I, EXPORT MANAGER OF THE CHINA
NATIONAL METALS AND MINERALS IMPORT AND EXPORT CORPORATION (MINMETALS)

ON JANUARY 9. PURPOSE OF CALL WAS TO PRESENT INFORMATION ON US MARKET
FOR PRC ANTIMONY TRIOXIDE (STATE 245082). HOWEVER, IN COURSE
OF GENERAL DISCUSSION OF US TRADE WITH MINMETALS THE PROBLEM OF LAST
YEAR'S USG STEEL SCRAP EXPORT CONTROLS AROSE.

2. CHAO SAID THE FAILURE OF US FIRMS TO DELIVER SOME 500,000 TONS OF
SCRAP TO CHINA LAST YEAR GAVE MINMETALS "A BIG HEADACHE."
ALTHOUGH SHE PERSONALLY DID NOT WORK ON THE PROBLEM, EVERYONE IN
THE CORPORATION KNEW ABOUT IT, AND SO DID "ALMOST ALL OF OUR END
USERS." THE PRESSURES ON MINMETALS FROM AFFECTED END-USERS WERE
TREMENDOUS, SHE SAID, AND "PRODUCTION WAS ADVERSELY AFFECTED."
500,000 TONS IS A LARGE QUANTITY, SHE CONTINUED, AND STEEL OUTPUT BY
END-USERS WHO NEEDED IT COULD NOT HELP BUT BE AFFECTED.

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3. CHAO REITERATED PREVIOUS CHINESE STATEMENTS ON THE SCRAP ISSUE,

TAKING THE "CONTRACT IS A CONTRACT" APPROACH AND INSISTING THAT EVEN WITH THE LIFTING OF US EXPORT CONTROLS THE PROBLEM HAS NOT DISAPPEARED SINCE MINMETALS STILL EXPECTS US SUPPLIERS TO HONOR THEIR ORIGINAL SCRAP COMMITMENTS. WHEN USLO OFFICERS RE-STATED THE US POSITION ON THE MATTER, CHAO WAS REASONABLE BUT STUCK TO HER GUNS. SHE DID NOT, HOWEVER, CONTEST STATEMENTS BY USLO OFFICERS THAT IN ORDER TO "IMPLEMENT" THE PREVIOUS CONTRACTS SOME RENEGOTIATION ON PRICE MIGHT NOW BE NECESSARY.

4. COMMENT: IN OUR DISCUSSION WITH CHAO WE FOUND HER FAR MORE FORTHCOMING, ON MANY SUBJECTS, THAN FANG HSIN-MIN WITH WHOM WE HAVE DISCUSSED STEEL SCRAP BEFORE. WE ARE THUS INCLINED TO ACCEPT AT FACE VALUE HER COMMENT REGARDING THE ADVERSE IMPACT OF US NON-DELIVERIES ON PRC PRODUCTION. HER COMMENT IS THE CLEAREST EXPOSITION OF A REAL PRC NEED FOR THE SCRAP THAT WE HAVE HEARD OVER THE PAST YEAR, BUT IT DOES NOT EXPLAIN WHY -- IF THEIR NEED WAS AS GREAT AS MADAME CHAO IMPLIES -- THE CHINESE DECIDED TO FOREGO OBTAINING SCRAP TONNAGE THEY COULD HAVE HAD BY WORKING WITHIN THE EXPORT ALLOCATION PROGRAM. IN ANY EVENT, IT WOULD APPEAR THAT MINMETALS REMAINS DETERMINED TO ABIDE BY ITS "PRINCIPLED STAND" EVEN IF THIS WILL CREATE UNNECESSARY CIMPlications AT A TIME WHEN CONTROLS HAVE BEEN LIFTED AND SCRAP CAN BE EASILY OBTAINED.
BUSH

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